An Offer They Couldn't Refuse (But Probably Should Have): The Ineffectiveness of Italian State Subsidies to Moviemaking

Summary

Public financial support to national film production is typically conditional on very subjective artistic and socio-cultural criteria and objectives. Yet the question remains as to whether state subsidies actually help films at the box office. The results of this study suggests that the public grant regime was clearly not able to assure the development of the industry as intended, since in an overwhelming number of cases, production losses exceeded subsidy. Specific institutional and political features characterizing the Italian system are also contended to compound problems.

Keywords Film; Italy; Cultural Policy; Subsidies.

Introduction

Do state subsidies help films at the box office? The Italian State along with other European countries continues to provide public financial support for their film industries, as well as other traditional industries (Aydin, 2007; Brandt and Svendsen, 2009). Bagella and Becchetti (1999: 238) set out five criteria for justifying this expenditure, all conditional on 'works of art' criteria. Their study uses data drawn from the Italian trade journal *Gazzetta del Cinema*. They investigated the box-office returns for the period 1985 to 1996, during which time they found that once account had been taken of the lower reputations of the talent employed '…subsidized films do not have a significantly lower performance …in terms of total admissions, daily revenues and prescreen daily admissions' (p. 246). This finding stands in stark contrast to the findings of this study. For the later period 1995 to 2003 evidence is produced to show that only three of the 135 films in our dataset that received the State subsidy would have covered their production costs in the absence of the subsidy, with a further 14 films having their production costs covered through the subsidy they received, and thus leaving the bulk of films extremely unprofitable.

The measure of performance used by Bagella and Becchetti is end-of-run box-office revenue generated in the Italian market. However, while revenue is an indicator of film popularity, it does not in truth, adequately reflect the resources embodied in film production and hence reflect alternative uses to which those resources could be put. Their argument concerning the subsidy seems to boil down to the counterfactual: had more recognized talent been employed in those subsidized films, their box-office performance would not have been significantly different from those Italian films that were not subsidised. This does not concord with the findings of this study, since we would expect lesser talent to be paid less than major talent, thus lowering the relative costs of production of subsidized films, meaning that the revenues necessary to cover those costs need not be so high. However, we find that the average revenue performance of subsidised films in relation to costs of production was very poor indeed, questioning the efficacy of the Italian film subsidy regime.

It is shown that the effect of film subsidy between 1995 and 2003 was largely to misallocate resources, demonstrated by the simple fact that Italian moviegoers showed very little interest in the resulting films. At the same time the subsidised films seemed to contribute little positively to the prestige of Italian cinema, an avowed intention of the legislation establishing the subsidy regime.

The paper is structured as follows. Some theoretical considerations and key influential work is briefly set out in the next section. This is followed by some background explaining the operation of the subsidy regime in Italy in the years 1997-2003, and subsequent changes made in 2004. The subsequent section explains the dataset and methods used in the paper and raises some data issues. Section 5 presents the results and is followed by a discussion and some concluding remarks.

Film subsidies: A brief contextual retrospect

Film projects may be awarded direct subsidies *ex ante*, or on an ongoing basis on completion of various project milestones (as in South Africa), or entirely *ex post*, to the producer or 'special purpose vehicle' that forms the temporary commercial entity linked to a specific film. They may also gain indirect subsidies awarded by Government to a third party institution (private or quasi-public) as in the UK, that then channel funding by various decision criteria. While there is an extensive literature exploring the determinants of box office revenue and film success (See the surveys of Hadida (2009), McKenzie (2012)), the role of state subsidies in supporting films at the box office is given little attention. An exception is the performance comparison of subsidised and unsubsidised Italian films conducted by Bagella and Becchetti (1999). They stressed the need to take account of disparities in the fame and reputation of the cast in such box office comparisons, in order to consider subsidised film on an equal basis with unsubsidised film. Arguably, there could also be some implicit understanding that subsidies are simply not intended to help box office but are more instrumentally used merely to help pursue other objectives such as industry development and to help retain the capability of film making in a given country for political reasons. They may even be awarded just to ensure some national entries in particular film festivals. Yet such an ordering of priorities does not seem to be clearly set out in the Italian and other national contexts.

Reasons for inefficiency in the subsidy allocation system can find their roots in the work of Tullock (1965), Downs (1967), Niskanen (1975) and many other public policy commentators (Grampp, 1986; Austen-Smith, 1994). While the stated objective of public fund allocation lies in the social and cultural policies followed by states and administrations and "rent-seeking" (Grampp, 1989), the increase in discretionary budget to maximise the quantity of services and products offered could be justified only while the deadweight loss is exceeded by the benefits extracted by consumers (Olszewski and Rosenthal, 2004). Needless to say, such guidance is not usually followed. Instead, following Niskanen (1975), biases and inefficiency in budget allocation may be explained by two main elements. First, bureaucrats aim to expand budgets to increase their influence, role and their perceived 'sensation' of wealth and authority. Accordingly, budget maximisation is simply a tool rather than goal and thus working to the detriment of the national public debt. Second, a sort of bilateral monopoly is established between politicians and bureaucrats, giving bureaucrats a status similar to a monopoly organization. Further, once the funds are assigned, politicians do not have specific instruments or information flows to assess the way the budget is then assigned to the subisidised products, making the allocation procedure even more contentious (McKay 2011).

The main effect of these concerns is that the intrinsic characteristics of bureaucrats provides a driver towards oversized budgets, irrespective of the specific financial need to pursue the objective to which the funds are actually allocated for (Acemoglu, 2001; Easterly, 2002). Inefficiency in budget allocation procedures can be viewed as being sustained by a lack of political authority and responsiveness serving as the main causes of the budget allocation distortions (Downs 1967) and also by public organizations having a primary aim to expand rather than to specifically follow the objectives for which they are established (Tullock, 1965). Miller is supportive of this collection of findings, emphasising that allocation inefficiency is strictly related to bureaucratic incompetence and natural inertia. He draws specific attention to the "self-interested choices of political actors" (Miller, 1997: 1195).

The above body of work has been influential in policy analysis and discussions and could be deemed to have discernibly and positively affected government action in English-speaking countries well before the year 2000 with the implementation of various new reforms aimed at reducing bureaucratic inefficiency arising form budget allocation (Aucoin, 1991). Arguably, however, the same strength of influence had not yet reached Continental European countries and Italy, in particular. The findings of this study seem to illustrate one high profile policy context over a period of time, in which even an elementary level of public policy thinking did not seem to become manifest and yield even a modicum of concern over the budget allocation process and its attendant level of efficiency and inherent policy biases.

Film production subsidies in Italy

In 1965, the Italian State recognised the film industry as having cultural, economic and social importance.[1] In more recent times, the regulatory framework which has governed the relations between the State and the Italian film industry, along with other performing arts, is based upon Law no.163, dated 30th April 1985. The Law established the FUS (Fondo Unico per lo Spettacolo – Performing Arts Fund) as the exclusive legal institution responsible for financing different artistic and cultural activities, including cinema, music, dance, theatre and drama, and circus arts. Over the years, the proportion of funds allocated by the FUS to the various arts sectors has changed from time to time, with the most recent Ministerial Decree allocating 47.5 per cent to opera and lyric

[1] Law no. 1213, dated 4 November 1965.

performance; 18.5 per cent to cinema; 16.3 per cent to theatre; 13.7 per cent to music; 2.3 per cent to dance; and 0.2 per cent to circus arts and travelling shows.[2]

The 1965 law was followed in 1994 by Law No.153, subsequently amended in 2004/5, in which the distinction was made between films that were of 'national cultural interest', and films that were 'nationally produced', establishing different financial regimes for each.[3] Under this Law, a newly formed Advisory Committee for Cinema could declare a film to be of 'national cultural interest', if its conception together with screenplay satisfied particular cultural criteria, set down in Table 1.

Approximate location Table 1 here

Once recognized, films of 'national cultural interest' were then referred to the Committee for Cinema Credit, which made decisions upon the loan-worthiness of their producer(s) and the maximum loan to which they were entitled.[4] In financial terms, productions recognized as "films of national cultural interest" could take advantage of the Participation Fund (Fondo di Intervento), assisted by the Guarantee Fund (Fondo di Garanzia). The Guarantee Fund was established to support the costs of films of national cultural interest, and its capital endowment comprised the contributions allocated by the State to the industry. The sum of money not spent by the Guarantee Fund were added – through six-month adjustments – to the Participation Fund, thus serving as a reserve for future financial needs. Through this system the State guaranteed 70 per cent of any finance granted, which producers were not required to pay back. A distinct category of this loan guarantee scheme catered for those films of 'national cultural interest' that were the first or second works of Italian directors.[5]

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[2] Ministerial Decree dated 13th February 2009, Article 1.
[3] Decree no.26, dated 14th January 1994
[4] The Banca Nazionale del Lavoro (BNL) served as the Trustee Bank in the film subsidy allocation process
[5] The regulatory basis of first and second works is set out in Law no. 1213, dated 4th November 1965, article 28, amended in Law no. 153, dated 1st March 1994, Article 8.

By contrast, ‘nationally produced films’ were not submitted for assessment to the Advisory Committee for Cinema. Rather, such films were able to benefit from cut-rate credit facilities up to a value of €3,200,000 (subsequently raised in 2004 to a range between €3.5 and €5 million). However, unlike films of ‘national cultural interest’, ‘nationally produced films’ could not take shelter under the umbrella of the Guarantee Fund, meaning that the State did not underwrite the loan and the producer was required to repay any loan in full. Table 2 outlines the different categories of films presently supported by the Italian State and the extent of support given.

Approximate location Table 2 here

Thus, in this study, the label of subsidy is given to those loans granted to films of ‘national cultural interest’ and ‘first and second works’, which did not require repaying, while ‘nationally produced films’, although able to access cut-rate credit facilities, are formally categorized as non-subsidized films, since State support had to be repaid. Short films are not included in this analysis. Since ‘national cultural interest’ is a much more subjective requirement than ‘national production’, dispute arises about the possible biases and unfair procedures behind the assessment given by the Advisory Committee for Cinema.

An overview of annual public aid to the Italian film industry in the period 1995 to 2003 is presented in Table 3. The first column of the table lists the share of FUS appropriation given to the cinema industry, while the remaining columns show actual expenditure on film production and its breakdown into the three constituent groups just discussed. For example in 2002, in addition to €55.5 million assigned to the Cinema from the FUS, a further €21.8 million was added through different ministerial decrees to Cinecittà Holding, The National School of Cinema, and the Venice Film Festival (La Biennale di Venezia, Settore Cinema – Mostra Internazionale d'Arte Cinematografica di Venezia). Further, in November 2002 the Ministry of Cultural Heritage freed previous 'idle' funds, directing €78.5 million to the Participation Fund to endorse film production. As a result, the actual available funds to Cinema in 2002 were €155.8 million, of which €131,944,692 was spent on production.

Aggregating the data for the nine years, €680.1 million were assigned to 445 films that took advantage of the Guarantee Fund (column [A] + [C] Total, Table 3) – comprising 357 films of 'national cultural interest', which were supported by € 607.1 million in loans; and 88 'first and second works', supported by €73 million loans. The 131 'nationally produced films', which could not draw upon the Guarantee Fund, obtained loans totalling €136.2 million. Thus, in the nine years examined, 83.3 per cent of public resources were given to productions that were not bound to make repayments to the State (€680.1 million out of €816.3 million): 74.4 per cent to films of 'national cultural interest', and 8.9 per cent to 'first and second works'. Only 16.7 per cent of these loan facilities went to films that did not have their finances to some extent guaranteed by the State.

Approximate location Table 3 here

Data and analytical approach

During the nine years 1995-2003, 914 Italian films were released into the Italian theatrical market (Cinecittà Observatory, 2007). Reliable economic and financial data are only available for films produced up to 2003, with incomplete information for those produced after that year, or with consistent information limited to an extremely restricted number of observations. The extension of the dataset after 2003 could have introduced some persistent biases and hence for the purposes of this analysis it was decided to restrict scrutiny to the nine-year time horizon from 1995 to 2003. While 914 Italian films were actually produced over this nine year period, the raw data revealed considerable missing data cell entries rendering the raw data in total unusable for generating robust financial analyses. Primarily this was due to the lack of consistent financial information about the production of every individual film. Such missing data might well have been incidental and in some cases deliberate. It could be considered as potentially 'masking' further problems in the subsidy allocation process and film performances. For some observations the information in the computer files was indeed highly compromised or incomplete. Supplementary hard copy documentation offering useful data on some individual productions was also examined to help address these concerns. Ultimately, the final dataset includes only those film titles whose essential data – costs, box office takings and film producer information – are complete and reliable in financial terms. The truncated dataset thus likely provides a more flattering picture of the subsidy and allocation process than had the full population of data been available.

As such the presented results illuminating the extremely poor performance of subsidized films can actually be considered a rather conservative view of film subsidy efficiency in Italy. The dataset created comprises cost and revenue information for the sample of 566 films, 135 of which were films of 'national cultural interest' and received loans guaranteed by the Guarantee Fund. The data were provided by the Osservatorio di Cinecittà, which serves as the centre for collection, analysis and diffusion of economic, qualitative and personnel information on the Italian film industry.[6] Cinecittà obtained the data about box office revenues and production cost from the Banca Nazionale del Lavoro.

A measure of profitability is derived by deducting production costs from box-office revenues, and the rate of return is obtained by expressing this as a percentage of production costs. Thus, these measures of performance do not contain distribution and promotion costs. Nor do they reflect further downstream revenue flows from DVD rental and sales and television sales.[7] However, given

[6] *Cinecittà Holding* is the operating branch of the Ministry of Cultural Heritage, with the mission to promote Italian Cinema to increase its visibility and opportunities in Italy and worldwide. The *Osservatorio di Cinecittà* (*Cinecittà Centre for Film and Audiovisual Information's Observatory*) came about as a result of the 28/2004 law for reform of the Italian film industry.

[7] See Sedgwick and Pokorny (2010) for a methodology for estimating profits using estimates of distribution costs and non-theatrical revenue streams.

that the focus of this paper is on the relative performance of subsidized films with the purpose of establishing how effective the State subsidy has been, these limitations are not critical.[8]

Results

Tables 4 and 5 describe the data and set out the main results. Table 4 presents a profitability analysis of the 135 subsidized films, while Table 5 does this for the 431 non-subsidized films.

Approximate location Table 4 here

Approximate location Table 5 here

From Table 4 it is clear that although public subsidy attenuates the financial exposure taken by producers, the collective failure of the subsidized films at the box-office means that the subsidy fell far short of assuring them positive returns on their investments. For the 135 films of 'national cultural interest', the Italian State contributed over 40 per cent of their production costs. These films generated an average revenue of €442,041 at the box-office, attracting a subsidy twice that of €969,847, while average production costs were over €2,240,000. As indicated earlier, but worth repeating, only three of the 135 films covered their production costs without the subsidy, while another 14 did so as a result of the subsidy.[9]

The relationship between revenues and subsidy is further examined by simple bivariate OLS regression of revenues on subsidies. The outcome is a statistically significant positive coefficient

[8] The Euro has been in force in countries belonging to the Economic and Monetary Union since 1st January 2002. Accordingly, a large part of the costs and revenues of films included in the initial raw data are expressed in the pre-euro Italian currency unit, the lira. Therefore, all the monetary values of such films have been converted into Euros, according to the fixed exchange rate of 1,936.27 Italian lire for 1 euro. Economic data of some films – straddling the changeover when the euro came into effect – are partially expressed in Italian lire and partially in Euros in the raw data.

[9] The three films were: *I Cento Passi* (2000), *Tano Da Morire* (1997), *Le Affinità Elettive* (1996).

value for the dependent variable, but with an R^2 that is less than 0.1, on top of a highly positively skewed residual plot in which a disproportionate number of films earn revenues less than that predicted by the model, counterbalanced by a relatively small number of films that earn substantially more. Thus, there is no discernable relationship between revenues and subsidy. In contrast, a better fitting model is obtained by simply regressing production costs on subsidy, with a highly significant coefficient value for the dependent variable, as well as an R^2 greater than 0.3, and a better behaved distribution of the residual error. Not surprisingly, the size of the subsidy is related to the size of the production budget, although other factors clearly play a part.

Table 5, describes the performance of the 431 non-subsidized films. While on average these films do not generate profits, their performance in the theatrical market is considerably better than the subsidized films generating an average revenue of €1,861, 476, while costing €2.6 million to make – thus non-subsidized production costs were 16 per cent higher, but revenues over four times higher than the set of films that were subsidized.

Discussion

In the light of the results shown in Tables 4 and 5, it would appear that the State subsidy given to the Italian film industry between 1995-2003 was not an efficient instrument for generating welfare, supporting the view that resources used in the production of films could have been better utilized elsewhere. Had the films of 'national cultural interest' not been subsidized very few of them indeed would have been made, making them, in effect, quasi-commodities. Furthermore, for the bulk of these films the subsidy was not sufficient to cover production costs.

Drawing upon the cultural subsidy literature, Bagella and Becchetti identify five reasons for State patronage: 1) to broaden cultural options – had films of artistic merit not been made, the artistic scope of future filmmaking would be reduced; 2) to redress the commercial imperative, which puts entertainment before cultural enrichment; 3) to foster cultural identity and national prestige; 4) to generate positive externalities for the community and businesses tied in to the film industry; and 5) to compensate the low productivity associated with 'art' films. For these authors, the subsidy can be justified "provided that we refer to those movies that can be considered a form of art" (Bagella and Becchetti, 1999: 238). Clearly, this is a market failure argument whereby it is contended that if left to itself the market will under-supply films of cultural merit. Certainly, the criteria laid down in Table 1 privilege artistic talent in the form of director, actors, and screenplay writers, with by far the greatest weight (0.7) given to directors (it is notable that film producers as a category are not included in the criteria).

However, the evidence presented in Tables 4 and 5 indicates that so few paying customers went to see films of 'national cultural interest' – particularly so in 1999 and 2002 – as to render virtually empty any argument inferring that they contributed to the general diffusion of cultural welfare. Of the five reasons supporting the subsidy, only the fourth is not critically weakened by the chronic lack of consumer interest in the products being subsidized; although it does have a severe moral hazard dimension, in that producers/directors would have known from recent history that films of 'national cultural interest' rarely became films of popular interest.

The results can be readily rationalized in the context of simple public policy thinking .The evidence furnished in this Italian arts context shows that budget allocation seems to serve more the fulfilment of needs of the bureaucratic bodies rather than the altruistic reasons for which the subsidy awarding panels are ostensibly commissioned. Over the period under study, the influence of the political dominion of Silvio Berlusconi and his extensive power on private and public media over the last 17 years has been strong and pervasive. However, historically, Italian cinema and more generally culture, has been considered to be dominated by left-wing artists (Gundle, 2000). Accordingly, many opponents to the present system argue that the genesis of the subsidy regime has allowed left-wing governments to sustain a film industry to circulate supportive ideas and messages. Further, it has also been suggested that left-leaning parties would typically highlight considerable budget reductions to the Cinema when right-leaning governments were in office, playing on the need to preserve the “national cultural interest” that such films convey. Some have even argued that “left-wing welfare has sunk the film industry” (Kolker, 2009; Mecucci, 2007).

70 per cent of the score needed for a film to be recognized as of “national cultural interest” depends on the artistic contribution from the directors of movies – a contribution effectively deriving from a variety of other awards and nominations – so this is a more subjective rather than objective valuation. Accordingly, there is considerable scope and activity for various lobbies to operate behind the decision processes in prize and subsidy awarding. This is similarly often observed in budget allocation within other social sectors at a more generalized level and also in other geographical contexts (Mitra, 1999; Marshall, 2012).

Some commentators (e.g. Gundle and Parkle 1996) do, however, acknowledge the unavoidability of market failure arguments. In large part this has been linked to the domination of Italian media and cultural industries maintained by Silvio Berlusconi and his commercial interests (Radaelli 2007; Downey and Koenig 2006). Such fears were exacerbated by his potential to influence these sectors even more profoundly after his entrance into the political arena in 1994 (Hasted, 2008). Consequently, for some scholars, the perceived monopoly of liberal left experts in film subsidy panels would be justified so that they could “make a stand” against the ruling political establishment and its closely linked interests in other media outlets, such as the control of the state television network - RAI. This is ultimately overseen by the Prime Minister, making the conflict of interest issue particularly acute in Berlusconi’s period of office (Hanretty, 2007). Inevitably the exercise of such realpolitik may well have rendered less effective the use of film subsidy in the service of, for example, broader national cultural and industrial objectives.

The institutions and conditions sustaining such political meddling seem to be accord with the theses advanced by Niskanen (1975) and other public policy scholars (Coyne and Leeson, 2004).

Irrespective of political viewpoints, the political and economic context of Italy has seemingly served to exacerbate bureaucratic inefficiency in this and other policy contexts. A higher subsidy budget has essentially offered greater power and sources of comfort to bureaucrats rather than serving the actual pursuit of the 'national cultural interest' – whatever that term actually means in practice. The Italian case seems to be indicative of a strengthening of the bilateral monopoly between bureaucrats and politicians. In large part, this is due to the exiguity of information flows that are available to meaningfully evaluate the actual subsidy processes. The empirical results presented in this study shows that, the objective of contributing to the prestige of Italian cinema through the subsidy allocation system is highly questionable. At the very least, re-thinking the system of budget allocation to the film industry, as currently configured, seems to be warranted.

Concluding remarks

Historically, cinema and audiences have been conjoint concepts – without audiences there would have been no cinema. However, in the case of Italian cinema, the state subsidy between 1994 and 2003 has seemingly had the effect of separating the two. It has supported a system of provision towards which consumers have been highly indifferent. Essentially subsidy served to move against the historical traditions of cinema. Thus, while it might be claimed by some that subsidy was essential to the very existence of the film industry, the results presented herein suggests that the subsidy regime of itself could not assure the development of the industry since production losses exceeded subsidy, even before distribution costs were factored in. The subsidy regime 1995-2003 was ineffective and wasteful. An approach in which markets impose a measure of discipline on the support given to the film industry would surely be preferable – i.e.: product markets in which exhibitors screen films that audiences actually want to see, and finance markets in which investors are attracted to products that have a good prospect of generating positive rates of returns. Specific institutional and contextual elements characterizing the Italian system are contended to compound the difficulties in achieving such an outcome. To some limited extent recent reforms of the subsidy regime have begun to address the issues raised in this study, by creating a system in which both the State and producers share the revenue stream generated by subsidised films on the basis of their respective contributions to costs. In so doing it has started to require the case for subsidies to be much more rigorous from a film production business viewpoint[10] but the existential rationale for such subsidies seems to remain politically unquestioned, at least for the time being.

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[10] Ministerial Decree dated 27 September 2004.

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Table 1 Relative weights given to various criteria used in assessing whether films are of 'national cultural interest'

Ref. Code	Parameter	Threshold Value	Score
A	**Director's artistic contribution**		**70**
A1	Awards won by the director for direction or best film	1	20
A2	Contribution of films directed by the applying director to festivals, or nominations as award finalist for direction or best film	1	10
A3	Number of films directed by the applying director with box-office revenues greater than €800,000 in the last ten years	2	10
A4	Awards won for best acting by main actors of the cast selected by the applying director	1	20
A5	Nominations for best acting by main actors of the cast selected by the applying director	1	10
B	**Screenwriter**		**20**
B1	Awards won by the screenwriter for screenplay	1	15
B2	Screenwriter's nominations as finalist in awards for screenplay	1	5
C	**Screenplay**		**10**
C1	Screenplay drawn from a work of literature	Yes	5
C2	Original screenplays	Yes	5

Source: Ministerial Decree dated 27th September 2004, Table A
Note: The "Threshold value" refers to the minimum number of awards, nominations or other criteria previously received by the artistic talent associated with qualifying films.

Table 2 Subsidy threshold for Italian film productions following the 2004/2005 Reform

	Maximum percentage on acceptable cost	Maximum acceptable cost (values in euros)	
Nationally produced films	70	5,000,000*	
Films of national cultural interest	50	3,750,000**	5,000,000*
Subsidised co-produced films***	As above	As above	
First and second works	90	1,500,000	
Short film distinguished by cultural interest****	100	40,000	

Notes:
* It includes production cost, and production cost of first copy, overhead expenses, distribution cost
** Through a three-year loan. See D.M. 27 September 2004, chapter 1, section 2, paragraph 7, a) and b)
*** They refer to: 1) overall industrial cost if the Italian companies' share: = or > 60% of production cost
2) industrial cost of the Italian company if Italian share: < 60%
**** Through a three-year loan.

Table 3 State Financing of the Italian Film Industry, 1995-2003

1995		[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
FUS appropriation - Section Cinema	85,697,242	47,754,704	20,674,286	0	47,754,704	68,428,990
% on overall FUS	18.87%	40 films	24 films	0 films	40 films	64 films
Actual available funds to Cinema	110,549,986					
Overall FUS appropriation	469,975,778					

1996		[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
FUS appropriation - Section Cinema	87,810,739	41,006,667	29,128,169	0	41,006,667	70,134,836
% on overall FUS	18.87%	40 films	27 films	0 films	40 films	67 films
Actual available funds to Cinema	112,174,438					
Overall FUS appropriation	473,590,976					

1997		[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
FUS appropriation - Section Cinema	88,533,365	55,260,888	21,830,633	8,396,039	63,656,927	85,487,560
% on overall FUS	18.87%	41 films	18 films	14 films	55 films	73 films
Actual available funds to Cinema	105,873,664					
Overall FUS appropriation	408,000,950					

1998		[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
FUS appropriation - Section Cinema	92,638,010	80,163,923	16,991,431	7,139,500	87,303,423	104,294,854
% on overall FUS	18.87%	44 films	16 films	11 films	55 films	71films
Actual available funds to Cinema	115,634,700					
Overall FUS appropriation	464,811,209					

1999		[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
FUS appropriation - Section Cinema	94,292,634	75,402,707	9,761,035	6,186,637	81,589,344	91,350,379
% on overall FUS	18.87%	45 films	11 films	10 films	55 films	66 films
Actual available funds to Cinema	109,230,634					
Overall FUS appropriation	485,469,485					

2000		[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
FUS appropriation - Section Cinema	94,529,740	40,025,409	22,362,583	11,516,988	51,542,397	73,904,980
% on overall FUS	18.87%	25 films	19 films	13 films	38 films	57 films
Actual available funds to Cinema	101,018,969					
Overall FUS appropriation	500,963,192					

2001		[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
FUS appropriation - Section Cinema	99,002,721	47,227,401	6,736,147	14,238,407	61,465,808	68,201,955
% on overall FUS	18.87%	24 films	6 films	15 films	39 films	45 films
Actual available funds to Cinema	99,002,722					
Overall FUS appropriation	516,456,899					

2002		[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
FUS appropriation - Section Cinema	55,519,210	110,844,380	403,869	11,337,096	122,181,476	122,585,345
% on overall FUS	11.08%	52 films	1 film	11 films	63 films	64 films
Actual available funds to Cinema	155,817,731					
Overall FUS appropriation	512,990,000					

2003		[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
FUS appropriation - Section Cinema	93,193,200	109,442,473	8,324,063	14,178,156	123,620,629	131,944,692
% on overall FUS	18.00%	46 films	9 films	14 films	60 films	69 films
Actual available funds to Cinema	170,689,144					
Overall FUS appropriation	518,628,000					

Total 1995-2003	[A] Films of National Cultural Interest	[B] National Produced films	[C] First and second works	[A] + [C] Total	[A] + [B] + [C] Total
	607,128,552	136,212,216	72,992,823	680,121,375	816,333,591
	357 films	131 films	88 films	445 films	576 films

Source: Authors' calculations, based on the nine annual official FUS reports from 1995 to 2003 to the House of Parliament ("Relazione al Parlamento"), Direzione Generale per il Cinema. Ministry of Cultural Heritage

Table 4 Profitability analysis of the subsidized films in the Cinecittà dataset, in 1994 Euros

Year	Subsidised Films	Total Box office Revenues	Mean Revenues	Total Production Cost	Public subsidy	% of costs subsidized	Net Production Cost	Mean Rate of Return, excluding subsidy	Mean Rate of Return, including subsidy
1995	13	5,744,793	441,907	29,854,799	10,711,066	35.9%	19,143,733	-80.8%	-70.0%
1996	18	6,198,865	344,381	29,682,059	14,352,994	48.4%	15,329,065	-79.1%	-59.6%
1997	13	5,565,301	428,100	21,085,495	8,934,311	42.4%	12,151,184	-73.6%	-54.2%
1998	11	9,899,387	899,944	33,628,855	16,071,228	47.8%	17,557,627	-70.6%	-43.6%
1999	17	3,686,625	216,860	35,939,660	14,905,518	41.5%	21,034,142	-89.7%	-82.5%
2000	10	5,227,105	522,711	18,522,111	10,859,926	58.6%	7,662,185	-71.8%	-31.8%
2001	21	9,877,491	470,357	54,797,227	19,668,615	35.9%	35,128,612	-82.0%	-71.9%
2002	13	1,616,991	124,384	19,647,866	8,996,861	45.8%	10,651,005	-91.8%	-84.8%
2003	19	10,090,803	531,095	50,379,694	22,549,458	44.8%	27,830,236	-80.0%	-63.7%
Total	135	57,907,361		293,537,766	127,049,977	43.3%	166,487,789	-80.3%	-65.2%

Source: Osservatorio di Cinecittà
Note: Rates of return calculations are exclusive of distribution and promotion costs

Table 5 Profitability analysis of the non-subsidized films, in 1994 Euros.

Year	Non Subsidized Films	Total Box office Revenues	Mean Revenues	Total Production Cost	Mean Rate of Return
1995	41	76,655,785	1,869,653	79,093,699	-3.1%
1996	38	101,632,814	2,674,548	99,797,168	1.8%
1997	53	147,409,949	2,781,320	110,955,908	32.9%
1998	48	98,137,329	2,044,528	118,009,493	-16.8%
1999	58	66,535,406	1,147,162	168,448,585	-60.5%
2000	40	59,374,934	1,484,373	79,982,476	-25.8%
2001	51	84,087,760	1,648,780	125,259,164	-32.9%
2002	55	101,339,175	1,842,530	206,938,975	-51.0%
2003	47	74,568,721	1,586,569	141,187,601	-47.2%
Total	431	809,741,873		1,129,673,069	-28.3%

Source: Osservatorio di Cinecittà
Note: Rates of return calculations are exclusive of distribution and promotion costs